



September 15, 2014

The Honorable Michelle K. Lee
Deputy Under Secretary of Commerce for Intellectual Property
and Deputy Director of the U.S. Patent and Trademark Office
600 Dulany St.
Alexandria, VA 22313-1450

Via email: patent_pendency2014@uspto.gov

**Re: IPO Comments on “Request for Comments on Optimum First
Action and Total Patent Pendency,” Federal Register, Vol. 79,
No. 131, July 9, 2014**

Dear Deputy Director Lee:

The Intellectual Property Owners Association (IPO) submits the following comments in response to the request published in the Federal Register on July 9, 2014.

IPO is a trade association representing companies and individuals in all industries and fields of technology who own or are interested in intellectual property rights. IPO’s membership includes more than 200 companies and over 12,000 individuals who are involved in the association either through their companies or as inventor, author, executive, law firm, or attorney members.

We want to congratulate the Office on its diligent efforts in recent years to address patent application pendency. Our comments are directed to patent application pendency and the seven specific issues requested in the Federal Register notice. Thank you for this opportunity to comment.

A. Patent Application Pendency

The PTO has historically measured two types of patent application pendency to guide the examination process—average first action patent pendency and average total pendency.

Average first action pendency is a relevant metric, but it would be most useful on a technology center or narrower basis. Patent applicants need reliable information to plan and budget prosecution expenses in specific art areas, not on an Office-wide basis. A more reliable basis for planning budgets and business activities based upon an expected first office action in a specific technology area will allow for better assignment of resources by patent applicants.

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Average total pendency, which is the initial pendency of a patent application until issuance, abandonment, or the filing of a first request for continued examination (RCE), may be less useful. Average total pendency is not relevant to the extent that it continues to include pendency until the filing of a first RCE. The goal of patent applicants is to receive a valid, enforceable patent in an efficient examination process that does not impose arbitrary stops and unnecessary expense. The manner in which the examination system has evolved with the advent of RCEs and the emphasis of reducing the new case unexamined backlog has resulted in historic levels of RCEs and *ex parte* appeals despite higher fees and a large increase in the number of patent examiners.

The PTO should take this opportunity to review the entire examination process and consider the vast changes in law and technology that have occurred since compact prosecution was introduced in the late 1960s. Today it is more useful for patent applicants to know the average pendency of patent applications from initial filing to ultimate allowance or abandonment without regard to how many RCEs have occurred between those two points in time. IPO recommends publication of this data on an art unit or technology center basis. The PTO should also adopt this metric in measuring performance of patent managers and examiners.

IPO also recommends publication of a metric that measures the average patent term adjustment (PTA) for granted patents on an art unit or technology center basis. This data would be of interest to patent applicants, industries, and the public.

B. Specific Questions from the Federal Register Notice

1. Are the current targets of ten month average first action patent pendency and twenty month average total patent pendency the right agency strategic targets for the USPTO, stakeholders, and the public at large?

Further outreach may be needed to determine a so-called “optimal” first office action pendency as pendency before a first office action involves a tradeoff between the desire to receive an early first office action and the risk of later finding prior art that was unpublished at that time or subsequently uncovered by other IP offices.¹

Patent applicants already have options like Track 1 to receive a first office action out of normal order. The PTO should develop other programs to give patent applicants flexibility in being able to have early first office actions when needed. The tradeoff between a relatively later first office action based upon a more complete view of the prior art as opposed to a quicker first office action is one that is best made by the patent applicant based upon its perceived needs.

Moreover, the target of issuing a first office action based upon a thorough search is important but needs to be based upon the circumstances of a given art area. In certain art areas, the issuance of a relatively quick first office action that cites the most relevant prior art can be important to patent applicants in determining whether a patent application should be published. In other art areas it may be more important to receive search results from other patent agencies and begin prosecution from a more comprehensive understanding of what the relevant prior art is.

This is not to say that each patent application should not receive a high quality search at the PTO. To provide the needed flexibility, the PTO should continue to improve the search capabilities

¹ It might be more efficient for the PTO to modernize the current version of compact prosecution as outlined below and then optimize pendency parameters based upon the modernized system.

of patent examiners both in terms of access to relevant databases and increased training and mentoring so that all patent examiners can use the limited time assigned to each patent application for search and examination to its fullest extent.

IPO suggests that the PTO explore new avenues for a patent applicant to receive an earlier than normal first office action accompanied by a high quality search. For example, patent applicants who have a demonstrated need for an advanced first office action in order to be considered for or receive capital funding might be considered for an earlier first action. Any fees needed to advance the prosecution for such reasons should be less than the fee charged for a Track 1 filing.

A metric that measures “total” pendency without taking into account the time that RCEs take, e.g., the current target of twenty month average total patent pendency, is less meaningful. To the extent that it is of interest, IPO believes that this metric should not be applied as a one-size-fits-all standard.

2. Should the USPTO have first action pendency and total pendency targets be met by nearly all applications (e.g., 90 or 95 percent of applications meeting the pendency target) rather than an average first action pendency and total pendency targets?

As discussed above, IPO believes that the first action pendency should not be office-wide, but should be on an art unit or technology center basis. IPO takes no position on whether the metric should be changed from an average to a given percentage of applications, noting that the PTO should be able to measure and publish metrics based upon any basis that the public finds to be useful. The published metrics need not be limited to a single metric if other metrics are seen to be widely useful.

3. Should the USPTO consider more technology level patent pendency targets, for example, at the Technology Center level? If so, should all the Technology Centers have the same target?

As discussed above IPO believes that the metrics should be on an art unit or technology center basis. There is no reason for a pendency target that is common to all technology centers. Rather, further outreach and input should be solicited based upon art areas to see if tailored pendencies are appropriate, taking into account the complexity of the art area as well as the business needs of the relevant patent applicant.

4. PTA considerations.

IPO believes further attention to this issue is warranted after the PTO publishes current data on the average PTA awarded to patents on an art unit or technology center basis. Patent applicants working in art areas that have market-ready products having rapid improvement cycles and/or short product lifetimes are typically not aided by PTA, while patent applicants in art areas that have longer development times before a product is ready to market and/or products that have a long market lifetime are aided by PTA.

IPO also suggests that the PTO develop and publish data on the so-called “A,” “B,” and “C” delays incurred in granted patents on a technology center or art unit basis. PTA is of concern to the public as well as patent applicants and breaking down the PTA data by way of specific delays will

allow the PTO, public, and patent applicants to identify where the patent examination system needs improvement in order to minimize PTA.

- a. Should the USPTO consider using a first action pendency target tied to minimizing the number of applications in which a first action is not mailed within fourteen months?*

IPO favors the PTO measuring and making public more data, rather than less, in regard to the various stages of the patent examination process. IPO is concerned, however, that published PTO metrics that become standards for evaluating the performance of managers and patent examiners tend to skew the path of the patent examination process as managers and patent examiners strive to meet the newly emphasized metrics. For example, the number of RCEs and *ex parte* patent appeals exploded when the Office emphasized the metric of reducing the unexamined new case backlog.

Common sense indicates that patent applicants viewed the quality of the first office actions issued in the effort to reduce the unexamined new case backlog to be less than optimal. Thus, any increased emphasis on reducing the time to first office action must be accompanied by additional training and supervisory resources to ensure that those first office actions are meaningful and of appropriate quality. It is difficult for the patent examination process to recover from a less than meaningful first office action as it typically takes a first RCE to get the case on track and subsequent RCEs to make meaningful progress.

- b. Should the USPTO also consider using some of the other PTA specific timeframes for their optimal pendency targets?*

IPO believes that the patent community and the public would be interested in a metric that provides data on an art unit or technology center basis in regard to the amount of patent term that is lost during examination of RCEs that is not recoverable by way of PTA. Given the large increase in the number of RCEs and the docketing changes made that have resulted in increasing time before RCEs are picked up for resumed examination by patent examiners, many patent applicants are needlessly forfeiting patent term because of the manner in which RCEs are docketed and examined. Knowledge of such data will allow the PTO, stakeholders, and the public to engage in a conversation as to how RCE examination can be made more efficient.

5. Would the benefits of a prompt first Office action outweigh potential concerns of the Office action being issued too quickly?

One benefit of a prompt first office action is that if it is issued in time to prevent publication of the application the patent applicant will have the opportunity to abandon the application prior to publication and maintain the technology as a trade secret. Providing a patent applicant with a meaningful first office action can eliminate incentives for the patent applicant to fight for marginal patents because the invention is now public. Fewer published patent applications will take away guess work as to the ultimate scope the claims provided in published publications and can minimize intervening rights issues upon publication.

However, the issuance of a first office action in order to meet an artificial goal set by the PTO that is less than optimal does not help the patent applicant, the public, or the agency.

- 6. There have been suggestions that many changes are occurring in the IP system, and the USPTO should be cautious at this point in time to avoid going too low in first action pendency. The USPTO welcomes comments on these potential concerns.**

a. Some potentially significant case law decisions are pending which may impact large categories of inventions and possibly lead to reduced patent filings.

Given the continuing significant unexamined new case backlog, IPO believes that the effect of any reduction in new case filings is years away. This issue should be revisited if such a reduction occurs.

b. It has been just over one year since patent fees were adjusted. See Setting and Adjusting Patent Fees, 78 FR 4211 (January 13, 2013). User practices and business decisions based on the adjusted fee levels may not have stabilized yet.

IPO believes that this is a valid concern but one that must be viewed in the context of the overall cost of prosecuting patent applications in the current environment of the need for numerous RCEs and *ex parte* appeals. The more efficient the current system can be made, the more resources patent applicants can devote to filing more new applications.

c. There is a lot of activity in the global IP arena which may impact patent filing activity and IP practices in the United States.

As mentioned above, given the continuing significant unexamined new case backlog, the effect of any reduction in new case filings is years away. This issue should be saved until such a reduction occurs as it is unclear how global IP activity will affect new case filings in the future.

- 7. In addition to seeking public input on optimal patent first action and total pendency levels, the USPTO also is interested in knowing if there are other activities where pendency or timeliness should be measured and reported. While the USPTO reports on a number of different patent pendency measures displayed on the Data Visualization Dashboard of the USPTO's Internet Web site (www.uspto.gov):**

a. What other metrics should the USPTO consider utilizing to measure pendency or timeliness throughout the examination process?

The PTO should make public the actual pendency data as measured from the date of filing of the patent application to the ultimate grant as a patent or abandonment of the patent application including the time spent for all RCEs on an art unit or technology center basis.

b. Specifically regarding RCEs, what other metrics should the USPTO consider utilizing to measure the pendency or timeliness regarding RCEs?

Given the large increase in the number of RCEs and the docketing changes made that have resulted in increasing time before RCEs are again picked up for resumed examination by patent examiners, it is believed that many patent applicants are needlessly forfeiting patent term because of

the manner in which RCEs are docketed and examined. Knowledge of such data will allow the PTO, stakeholders and the public to engage in a conversation as to how RCE examination can be made more efficient.

c. Should these metrics also be considered for other continuing-type applications (i.e., continuation, continuation-in-part, and divisional applications)?

Yes, these metrics should also be considered for other continuing-type applications including continuation, continuation-in-part, and divisional applications.

C. Suggestions to Improve Quality and Pendency

1. Modernize compact prosecution

IPO applauds the PTO's initiative in reaching out to the patent community concerning pendency issues. This initiative is based on the current patent examination process, however, which we believe needs to be modernized if the PTO is going to make meaningful progress in improving pendency and quality. The current version of "compact prosecution" has been in effect since the late 1960s, and at least since the 1980s has been premised on nearly every second office action being a "final" rejection. In the five decades in which compact prosecution has been the standard, significant changes have occurred in technology and patent law as well as the number and the work locations of patent examiners. Modern biotechnology and the advent of the digital age have added many challenges to the efficient administration of the patent system, yet the basic process that determines in large part pendency and quality, "compact prosecution," has not been revisited in any fundamental way.

Although the PTO has changed various productivity and docket management elements of the patent examiner's Performance Review Plan and various cash bonus programs in an attempt to influence patent examiner behavior, the PTO has not adapted compact prosecution to the changing legal and technical environment. The PTO should modernize the compact prosecution examination regime to take into account the changes that have occurred in the patent system. In so doing, the PTO should identify and eliminate artificial roadblocks in the current systems that can put a patent application in a status on a patent examiner's docket where it can languish for months and years without any activity after the initial examination. By keeping a patent application constantly in front of the patent examiner, the examination process can become a continuing conversation between the patent examiner and applicant directed to finding patentable subject matter.

Today's after-final practice is problematic and can delay the time in which a patent application is put in front of the patent examiner for actual consideration of an after-final submission. If RCEs are docketed to patent examiners such that they need to be picked up for consideration within two months of filing, the patent examination process becomes a continuum where patent examiners and applicants remain focused on the details of the case and can guide it to an ultimate conclusion. The patent examination process needs to become more seamless.

IPO understands that under the current count system by which the productivity of patent examiners is measured, the filing of an RCE awards the patent examiner with an "abandonment" count and another count when the first office action is issued in the RCE. We believe the present count system needs review.

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In modernizing the present compact prosecution system, IPO believes it is important for experienced PTO managers to become involved on the merits of cases where the initial efforts of the patent examiner and applicant have resulted in a stalemate. The sooner such resources can be involved in a case, the sooner a reasonable conclusion can be reached. This is especially important in view of the number of patent examiners that have been hired and will be hired in the near future. Although the current telework program has benefits for the office, it appears to make it difficult to schedule in-person interviews with patent examiners and their primaries or SPEs. Also, there have been significant changes in patent law including the advent of the AIA and recent Supreme Court cases. In light of these changes, personal access to the examiner and the primary examiner and/or SPE is now more important for minimizing pendency and increasing quality.

IPO realizes that modernizing compact prosecution and the metrics by which a patent examiner's performance is measured must be done in consultation with the patent examiners' labor union, the Patent Office Professional Association ("POPA"). IPO believes a modernized system where a patent examiner can take possession of a case upon initial examination without the system imposing unneeded start and stops in the process will be attractive to patent examiners. The record number of RCEs and *ex parte* appeals pending, along with the large number of patent examiners that have been and will be hired, are strong evidence that compact prosecution needs to be modernized.

IPO stands ready to assist with any efforts the PTO makes toward modernization.

2. Improve petition practice transparency and timeliness

The Office of Petitions could improve its responses to inquiries regarding petition status and expected date of decision. IPO has been made aware of petitions that have languished before the Office of Petitions for years only to have events overtake the case. Responses to phone inquiries to the Office of Petitions are often answered with the message that the petition is pending but no estimate as to when it will be picked up for decision is given. Such undue delays can needlessly lead to extended RCEs and pendency as prosecution moves forward. IPO suggests that the operation of the Office of Petitions be reviewed and improvements be considered such as providing an acknowledgement of receipt of the petition and an estimated time frame for its decision. IPO also suggests that decisions on petitions be posted on the PTO website in a searchable manner similar to PTAB decisions to enhance transparency and consistency with respect to the merits.

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IPO thanks the PTO for considering these comments and would welcome any further dialogue or opportunity to provide additional information to assist in the Office's efforts on application pendency issues.

Sincerely,



Herbert C. Wamsley
Executive Director